

uMLALAZI MUNICIPALITY



UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

uMLALAZI MUNICIPALITY

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Annual Financial Statements

for

uMlalazi Municipality

for the year ended 30 June 2011

Province:

KwaZulu-Natal

AFS rounding:

To the nearest Rand

Contact Information:

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Name of Chief Financial Officer:	Huey Geringer
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uMLALAZI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2011

General information

His Worship the Mayor	Councillor T B Zulu
Deputy Mayor	Councillor M T-G Mchunu
Chief Whip	Councillor M M M Ntuli
Speaker of Council	Councillor E N Mtshali

Members of the Executive Committee

His Worship the Mayor Councillor T B Zulu (Chairperson)

The Deputy Mayor Councillor M T-G Mchunu

Councillor C M Gamede

Alderman S B Larkan

Councillor M Mbuyazi

Councillor C T Ndwane

Councillor B R L Ngema

Councillor J K Powell

Councillor I Woolatt

Councillor Q T Xulu

Members of the Council

Councillor M B Biyela

Councillor N L Biyela

Councillor B S Cebekhulu

Councillor M M Cebekhulu

Councillor M E Dlamini

Councillor P G Dlolane

Councillor M Dludla

Councillor T A Hlatshwayo

Councillor E Z Jaffe

Councillor M M Khanyile

Councillor K Khumalo

Councillor B C Magwaza

Councillor K B Magwaza

Councillor M E T Magwaza

Councillor S G Mbambo

Councillor S K Mbatha

Councillor M F Mdluli

Councillor Z A Mhlongo

Councillor N M Mnqayi

Councillor F M Mtengu

Councillor M M Mzimela

Councillor N S Mzimela

Councillor S Naicker

Councillor I F Ndwandwe

Councillor S G Ngema

Councillor D T Ngonyama

Councillor M Z Nkwanyana

Councillor T E Ntsele

Councillor M G Ntuli

Councillor M H Qwabe

Councillor S Schoeman

Councillor T G Shandu

Councillor B P Simelane

Councillor S S Sithole

Councillor E A Talmage

Councillor B L Thusi

Councillor V M Xulu

Councillor M G Zondi

Councillor N S Zulu

Councillor E M Zwane

uMLALAZI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2011

General information (continued)

Municipal Manager

Chris Gerber

Chief Financial Officer

Huey Geringer

Grading of Local Authority

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Auditors

Auditor - General

Bankers

First National Bank, Eshowe

Registered Office: Municipal Buildings, Eshowe

Physical address: Hutchinson Street
Eshowe

Postal address: P O Box 37
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uMLALAZI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 47 in terms of section 126 (1) of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 10 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination in accordance with this Act

Municipal Manager:

DATE: _____

uMLALAZI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	2011	(Restated) 2010
		R	R
ASSETS			
Current assets			
Inventories	6	1,918,373	2,008,598
Trade receivables from exchange transactions	7	21,238,445	19,789,798
Other receivables from exchange transactions	7	1,406,100	317,754
Current portion of receivables	5	21,984	18,954
VAT receivable	7	730,249	475,797
Investments - short term	4	17,025,094	15,441,453
Cash and cash equivalents	14	4,131,950	3,510,170
		<u>46,472,193</u>	<u>41,562,523</u>
Non-current assets			
Property, plant and equipment	48	406,786,622	414,804,309
Intangible assets	48	48,646	22,624
Investment property carried at fair value	13/48	8,600,802	6,735,002
Investments	4	1,000	1,000
Non-current receivables	5	1,456,841	957,520
		<u>416,893,911</u>	<u>422,520,455</u>
Total assets		<u>463,366,104</u>	<u>464,082,978</u>
LIABILITIES			
Current liabilities			
Consumer deposits	3	979,351	776,337
Trade and other payables from exchange transactions	8	10,573,152	14,634,313
VAT payable	8	940,093	386,490
Bank overdraft	14		
Current portion of unspent conditional grants and receipts	49	15,298,383	14,111,375
Current portion of borrowings	2	342,816	170,004
Current provisions	43	3,326,607	2,484,643
		<u>31,460,402</u>	<u>32,563,162</u>
Non-current liabilities			
Non-current borrowings	2	5,827,866	3,754,551
Non-current provisions	27	8,765,506	7,171,378
Employee benefit obligations	28	9,931,106	7,494,373
		<u>24,524,478</u>	<u>18,420,302</u>
Total liabilities		<u>55,984,880</u>	<u>50,983,464</u>
Net assets		<u>407,381,224</u>	<u>413,099,515</u>
NET ASSETS			
Housing operating account	1	11,155,797	10,701,376
Reserves		226,618,536	247,804,952
Accumulated surplus / (deficit)	16	169,606,891	154,593,187
Total net assets		<u>407,381,224</u>	<u>413,099,515</u>

uMLALAZI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

			Actual		Budget	
	Notes	2011	2010	2011	2010	
		R	R	R	R	
REVENUE						
Property rates	9	40,566,126	31,005,009	38,281,570	33,475,760	
Property rates - penalties imposed		978,817	1,042,481	1,142,800	950,000	
Service charges	15	44,515,001	38,025,492	46,786,020	39,995,870	
Rental of facilities and equipment	37	1,358,130	1,447,182	1,285,880	1,076,280	
Interest earned- external investments	38	634,589	392,585	350,000	863,200	
Fines		3,374,512	3,708,799	3,709,140	2,970,300	
Licences and permits	39	3,140,398	2,320,212	2,915,470	2,092,090	
Government grants and subsidies	23	57,515,861	46,110,463	64,255,738	48,540,995	
Other income	40	1,309,406	1,250,968	1,550,600	1,676,400	
Total Revenue		153,392,839	125,303,191	160,277,218	131,640,895	
EXPENDITURE						
Employee related costs	13 26	49,866,542	44,284,743	53,449,460	44,353,893	
Remuneration of councillors	14 10	10,953,567	10,564,678	11,083,450	10,426,016	
Bad debts	15 7	1,225,733	179,140	537,380	506,960	
Depreciation	17 17	28,460,904	7,264,753	7,276,340	5,659,060	
Repairs and maintenance	18 33	5,505,350	5,096,839	5,695,900	5,411,489	
Finance costs	19 11	643,051	148,823	516,560	166,530	
Bulk purchases	20 24	25,780,432	17,812,169	20,701,270	18,804,581	
Contracted services	21 34	13,092,479	11,175,313	13,391,045	10,314,810	
Post retirement medical benefits and long service awards	22 29	2,906,799	754,994	1,011,340	935,630	
General expenses	23 36	41,860,011	33,844,252	48,092,693	39,529,089	
Contributions to staff leave	25 42	1,430,229	962,649	335,440	316,450	
Less Recharges	36	-16,270	-16,270	-28,270	-28,270	
Total Expenditure		181,708,825	132,072,083	162,062,608	136,396,238	
Gain/ (loss) on sale of assets	41	671,423	44,867	200,000	2,500,000	
Profit/ (loss) on fair value adjustment	13	1,865,800	804,202	800,000		
Depreciation recovered from reserves	12	21,426,637	1,207,032	1,200,000	2,571,800	
SURPLUS (DEFICIT) FOR THE YEAR		-4,352,126	-4,712,791	414,610	316,457	

Refer to Appendix E (1) for the comparison with the approved budget

uMLALAZI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2011

	Housing operating account	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions reserve	(Restated) Revaluation reserve	Accumulated surplus/ (deficit)	Total
	R	R	R	R	R	R	R	R
Balance at 30 June 2009	10,230,000	-	-	-	1,159,356	74,488,946	125,843,320	211,721,622
Net surplus (deficit) for the year	134						-4,712,791	-4,712,657
Adjustments prior year							-901,536	-901,536
Transfer to Capital Replacement Reserve								-
Property, plant and equipment purchased								-
Revaluation of roads assets (Note 46)						263,840,388		263,840,388
Revaluation of electricity assets (Note 46)						48,170,741		-
Capital grants used to purchase property, plant and equipment				34,364,194				34,364,194
Donated/ contributed property, plant and equipment								-
Transfer to Housing operating account	-21,125							-21,125
Public contributions	57,761				147,134			204,895
Interest received	434,606				68,572			503,178
Expenditure					-237,170			-237,170
Offsetting of depreciation						-1,207,032		-1,207,032
Correction of roads assets depreciation (Note 46)						-119,242,834		-119,242,834
Correction of electricity assets depreciation (Note 46)						-19,383,149		-19,383,149
Transfer to Accumulated surplus/(deficit)				-34,364,194			34,364,194	-
								-
Balance at 30 June 2010	10,701,376	-	-	-	1,137,892	246,667,060	154,593,187	364,928,773
Balance at 30 June 2010	10,701,376	-	-	-	1,137,892	246,667,060	154,593,187	364,928,773
Surplus (deficit) for the year	26,988						-4,379,114	-4,352,126
Adjustments prior year							-2,450,074	-2,450,074
Transfer to Capital Replacement Reserve								-
Property, plant and equipment purchased								-
Revaluation of unsold properties								-
Write off against revaluation of properties						-984,567		-984,567
Capital grants used to purchase property, plant and equipment				21,842,892				21,842,892
Donated/ contributed property, plant and equipment								-
Transfer to Housing operating account	-85,202							-85,202
Public contributions	118,234				1,696,595			1,814,829
Interest received	394,401				44,686			439,087
Expenditure					-516,493			-516,493
Offsetting of depreciation						-21,426,637		-21,426,637
Transfer to Accumulated surplus/(deficit)				-21,842,892			21,842,892	-
Balance at 30 June 2011	11,155,797	-	-	-	2,362,680	224,255,856	169,606,891	359,210,481

uMLALAZI MUNICIPALITY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from (utilised in) operations	18	17,395,249	43,540,742
Interest received		1,073,676	895,762
Interest paid		-643,051	-148,823
Net Cash from (utilised in) operating activities		17,825,874	44,287,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		-16,981,618	-24,936,918
Assets Under Construction		-4,530,927	-21,609,405
Proceeds from sale of assets		730,162	227,798
Proceeds from sale of investment properties	13	-	-
Net cash flows from investing activities		-2,956,509	-2,030,844
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	2,575,445	3,208,610
Repayment of borrowings	19	-329,319	-79,488
(Increase) / decrease in cash investments	20	-261,965	545,811
Increase in liability for refuse site rehabilitation	27	1,594,128	4,172,905
Net cash flows from financing activities		3,578,289	7,847,838
NET INCREASE (DECREASE) IN CASH EQUIVALENTS		621,780	5,816,994
Net (increase)/ decrease in net cash and cash equivalents			
At the beginning of period	21	3,510,170	-2,306,824
At the end of period	21	4,131,950	3,510,170
Net cash and cash equivalents at end of period		-621,780	-5,816,994

uMLALAZI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The following GRAP standards have been applied:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GRAP 7	Accounting for Investments in associates
GRAP 8	Financial Reporting of Interests in Joint Ventures
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 24	Presentation of budget information in Financial Statements
GRAP 100	Non-current assets held for sale and Discontinued Operations
GRAP 102	Intangible assets

2 PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand

3 GOING CONCERN ASSUMPTION

The annual financial statements are prepared on a going concern basis

4 HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, 1997 (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Operating Account. Housing selling schemes, both complete and in progress at 01 April 1998, were also transferred to the Housing Operating Account. In terms of the said Act, all proceeds from housing developments, including rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of this account can only be used to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

5 RESERVES

5.1 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus / (deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus / (deficit).

The purpose of this policy is to promote consumer equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful lives of items of property, plant and equipment financed from donations and public contributions.

When items of property, plant and equipment financed from donations and public contributions are disposed of, the balances in the Donations and Public Contributions Reserve relating to such items are transferred to the accumulated surplus / (deficit).

5.2 Revaluation Reserve

Unrealised surpluses arising from the revaluations of land and buildings are credited to a Non-Distributable Reserve. Revaluation surpluses are realised as devalued buildings are depreciated, by means of transfers from the revaluation reserve to the accumulated surplus / (deficit).

When revalue land and buildings are disposed of, the net revaluation surpluses in the Revaluation Reserve relating to such items are transferred to the accumulated surplus / (deficit), while gains and losses on disposal, based on revalue amounts, are credited or charged to the Statement of Financial Performance.

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated in the annual financial statements at cost less accumulated depreciation, except for land and buildings, which are revalue as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying values are adjusted by the impairment losses. These losses are recognised as expenses in the period that the impairments are identified except where an impairment reverses a previous revaluation.

Where impaired land and buildings are revalue, the increase in value of land and buildings is recognised as revenue to the extent that it reverses the impairment loss which was previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost will be measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The costs/revaluations of property, plant and equipment are depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated useful lives of the assets:

	Years		Years
Infrastructure		Other	
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 - 30	Other vehicles	5
Housing	30	Office equipment	3
		Furniture and fittings	7 - 10
Community		Watercraft	15
Buildings	30	Bins and containers	5
Recreational facilities	20 - 30	Specialised plant and equipment	10 - 15
Security	5	Other items of plant and equipment	2 - 5

The estimated useful lives are periodically reviewed in order to adjust them if they have changed.

Items of Property, Plant and Equipment which are acquired at no cost or for a nominal cost is recognised at their fair values.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is immediately written down to its recoverable amount and the impairment loss is charged to the Statement of Financial Performance in the period that they are identified.

In terms of GRAP 17 the Council has used the transitional provisions to recognise items of Property, Plant and Equipment, which were not previously recognised, at their fair values.

7 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated in the annual financial statements at revalue amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation of buildings.

8 INVESTMENT PROPERTY

8.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

8.2 Subsequent measurement - fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

9 INVESTMENTS

9.1 Financial instruments

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

10 INVENTORIES

Inventories are comprised of consumable stores, raw materials and finished goods and are stated in the annual financial statements at the lower of average cost, determined on the first in first out method and net realisable value. Cost includes deductions for discounts and rebates.

Redundant and slow moving inventories are identified and sold by public auction and any gain or loss on disposal is recognised in the Statement of Financial Performance.

Unsold properties are stated in the annual financial statements at the lower of cost, determined on the average cost method and net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a proportion of overhead costs.

11 ACCOUNTS RECEIVABLE

Accounts receivable are stated in the annual financial statements at the value of billings to consumers/ratepayers, less deductions for discounts given or rebates granted less a provision for doubtful accounts.

Provision for doubtful accounts is made, based on a review of all outstanding amounts at the financial year end. Contributions to the provision are calculated on a specific debt basis of all debts older than two years, including rates and rates penalties.

Bad debts are written off in the period that they are identified. Amounts that are receivable within one year are classified as current assets.

12 ACCOUNTS PAYABLE

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly any impairments, if any, are considered to be immaterial.

13 REVENUE RECOGNITION

13.1 Revenue from exchange transactions

Service charges for electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising there from are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised in the period in which cash is received.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears and are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month

Interest and rentals are recognised on a time proportion basis

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licences and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected for agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk passes to the consumer.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. A liability is raised when a public contribution has been received but all the conditions have not been met.

13.2 Revenue from non-exchange transactions

Revenue from assessment rates is recognised when the legal entitlement arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment is brought into use.

Contributions of property, plant and equipment are recognised when the items are acquired.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

14 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

15 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

16 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure represents expenditure which has been incurred but not budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003). Unauthorised expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue when it is subsequently recovered.

18 IRREGULAR EXPENDITURE

Irregular expenditure excludes unauthorised expenditure and represents expenditure incurred that is contrary to the provisions of the Local Government : Municipal Finance Management Act, 2003 (Act No.56 of 2003) the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue when it is subsequently recovered.

19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided if reasonable care had been exercised. Fruitless and wasteful expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue when it is subsequently recovered.

20 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the two defined benefit funds and the provident fund it administers, and to the Municipal Councillors' Pension Fund which is a defined contribution fund. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

21 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

22 DEPOSITS

Deposits received from consumers are based on the estimated monthly consumption and are calculated to cover approximately two and one half consumption, taking into consideration each consumer's profile. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's credit control policy. No interest is paid on deposits held.

23 OPERATING LEASES

Payments made on operating lease agreements are expensed and charged to the Statement of Financial Performance in the period in which such payments are due. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

24 PRIOR YEAR COMPARATIVES

Prior period comparatives are reclassified when the presentation or classification of items in the annual financial statements is amended.

25 LEASES

25.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequently to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to the recognition of financial instruments are applied to lease payables. The lease assets is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

25.2 Municipality as lesser

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to the recognition on financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

26 INTANGIBLE ASSETS

26.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

26.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

26.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
-------------------	---------

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

26.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

27 NON-CURRENT ASSETS HELD FOR SALE

27.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, what should be expected to qualify for recognition as a completed sale within one year from the date of classification.

27.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the valuation values of each property as depicted in the Council's official valuation roll.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
1. HOUSING OPERATING ACCOUNT		
Government Loans extinguished in 1998	1 4,216,217	4,301,419
Instalments received from borrowers	2 6,675,157	6,162,522
Accumulated surplus	3 264,422	237,435
	11,155,797	10,701,375
Fixed assets	4 -	-
Debtors - short term	5 1,647,960	1,644,880
Debtors - long term	6 803,440	820,630
Investments - External	6,675,157	6,162,522
Cash at bank	2,029,240	2,073,344
	11,155,797	10,701,375
2. BORROWINGS		
Annuity loans	6,170,681	3,924,555
	6,170,681	3,924,555
LESS : Current portion transferred to current liabilities	-342,816	-170,004
Total borrowings	5,827,866	3,754,551
(Refer to appendix A for more detail)		
Annuity loans		
Bear interest of 12.422% per annum, and is redeemed in bi-annual instalments, including interest, over a period of 20 years.		
Fair value impairments		
Long term loans are recorded at the actual liability to loan creditors.		
No impairment, if any has been recognised.		
3. CONSUMER DEPOSITS		
Refuse	29 93,686	36,535
Electricity	30 885,665	739,802
	979,351	776,337
Guarantees held in lieu of electricity deposits	495,617	495,217
4. INVESTMENTS		
Unlisted		
Shares in Co-operative - Coastal Farmers	306 1,000	1,000
	1,000	1,000
Short term investments		
Notice deposits - call	307 10,349,936	9,278,931
Notice deposits - Housing	7 6,675,157	6,162,522
	17,025,094	15,441,453
Total investments	17,026,094	15,442,453
Council's valuation of unlisted investments	17,026,094	15,442,453
Average rate of return on investments	6.31%	5.21%

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

5. NON-CURRENT RECEIVABLES

	2011	2010
	R	R
Deposits with creditors	293 673,963	152,789
Staff housing loans	320 1,421	3,055
Housing loans	6 803,440	820,630
	1,478,824	976,474
Less: Current portion transferred to current receivables		
Staff housing loans	-1,421	-1,378
Housing loans	-5,213	-2,227
Old age home	-15,349	-15,349
	-21,984	-18,954
Total	1,456,841	957,520

Housing selling scheme loans

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at rates varying between 11.25% and 13.5%

6. INVENTORIES

Opening balances of inventories:	2,008,598	1,829,741
Consumable stores	576,495	574,754
Stationery Stores	208,236	173,219
Electrical maintenance spares	1,223,835	1,081,421
E Card Replacement	32	347
Additions:	3,306,754	3,380,372
Consumable stores	1,574,218	1,473,065
Stationery Stores	473,701	713,266
Electrical maintenance spares	1,255,636	1,192,200
E Card Replacement	3,200	1,841
Issued (expenses)	3,396,979	3,201,514
Consumable stores	1,624,105	1,471,324
Stationery Stores	504,918	678,249
Electrical maintenance spares	1,265,395	1,049,786
E Card Replacement	2,560	2,155
Closing balances of inventories:	1,918,373	2,008,598
Consumable stores	37 291,000	576,495
Stationery Stores	39 269,587	208,236
Electrical maintenance spares	40 1,357,114	1,223,835
E Card Replacement	47 672	32

No impairments of the values of inventory have been written off as management considers that all stores are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

7. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	22,871,356	21,235,012
Less: Provision for Doubtful Debts	52 -1,632,911	-1,445,214
	21,238,445	19,789,798
Other receivables		
Salary suspense	45 25,710	51,012
Value added taxation	44 730,249	475,797
Other sundry receivables	49 486,527	82,648
Survey suspense	51 893,862	184,094
	23,374,793	20,583,349

Management have considered the effects of any impairment in the values of outstanding and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding balances

Trade receivables		
Rates and penalties	200 11,321,364	10,811,526
Electricity	201 3,861,981	3,424,022
Housing	1,647,960	1,644,880
Refuse	203 1,111,511	1,390,628
Sundries	204 4,928,539	3,963,957
	22,871,356	21,235,012

Amounts written off as doubtful debts	1,038,036	2,691,558
As a percentage of total operating revenue	0.68%	1.72%
Number of days outstanding	89	113

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
Age analysis		
Rates and penalties		
Current (0 to 30 days)	1,658,037	2,731,270
31 to 60 days	812,436	534,272
61 to 90 days	550,465	421,358
91 to 120 days	473,880	371,750
121 days and over	7,826,546	6,752,876
	11,321,364	10,811,526
Electricity		
Current (0 to 30 days)	2,781,887	3,098,885
31 to 60 days	748,102	69,396
61 to 90 days	36,570	23,533
91 to 120 days	13,580	15,905
121 days and over	281,841	216,303
	3,861,981	3,424,022
Refuse		
Current (0 to 30 days)	443,417	666,488
31 to 60 days	139,787	102,352
61 to 90 days	49,726	72,580
91 to 120 days	36,637	66,582
121 days and over	441,943	482,626
	1,111,511	1,390,628
Sundries		
Current (0 to 30 days)	1,147,505	226,341
31 to 60 days	568,854	153,766
61 to 90 days	640,959	80,898
91 to 120 days	6,290	59,838
121 days and over	2,564,931	3,443,114
	4,928,539	3,963,957
Housing		
Current (0 to 30 days)	7,813	18,899
31 to 60 days	10,588	9,773
61 to 90 days	9,854	10,252
91 to 120 days	9,792	10,049
121 days and over	1,609,914	1,595,907
	1,647,960	1,644,880
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	1,445,214	3,957,632
Contributions to provision	1,225,733	179,140
Prior year contribution adjustments		-
	2,670,947	4,136,772
Doubtful debts written off against provision	1,038,036	2,691,558
Balance at end of year	1,632,911	1,445,214

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	41 8,952,533	12,030,155
Deposits - other	35 69,880	62,850
Salary suspense	48 -	4,660
Retention monies	46 632,901	941,908
Unidentified Direct Deposit's	43 410,541	1,118,595
Value added taxation	55 940,093	386,490
Payments received in advance	42 504,995	476,079
Billing Suspense	53 2,301	65
	11,513,245	15,020,803
VAT is payable on the receipts basis and is only due to SARS when payments are received from debtors		
9 PROPERTY RATES		
The last general valuation came into effect on:		
Eshowe	01/07/2006	01/07/2006
Mtunzini	01/07/2006	01/07/2006
Gingindhlovu	01/07/2006	01/07/2006
Rebates		
Municipal Properties	100%	100%
Government Properties	20%	20%
Pensioners	40%	40%
Residential Properties with land values of R50 000 and less	100%	100%
Public Service Infrastructure	30%	30%
Industrial incentives		
All undeveloped serviced industrial sites where the industrial developer has provided the full range of Municipal services	100%	100%
Industrialists are granted incentive rebates on a phased reducing basis over five years		
Actual		
Commercial	5,745,298	9,540,487
Residential	18,563,265	2,381,438
Education and State	4,036,691	1,559,624
Agriculture	618,680	349,445
Municipal	2,284,398	596,510
Public Benefit	1,200,041	1,287,575
Public Service Infrastructure	8,117,753	15,289,930
Total property rates	40,566,126	31,005,009
Less: Rebates	12,297,750	8,207,647
Total	28,268,376	22,797,362
Valuations		
Commercial	403,493,700	363,522,600
Residential	1,406,262,900	1,468,337,000
Education and State	255,498,000	237,969,500
Agriculture	189,616,500	53,209,200
Municipal	151,673,500	91,171,300
Public Benefit	41,192,000	196,481,100
Public Service Infrastructure	2,333,291,245	2,333,211,245
Total property valuations	4,781,027,845	4,743,901,945

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
10 REMUNERATION OF COUNCILLORS			
Mayor's allowance	13	577,716	572,108
Deputy Mayor's allowance		276,344	254,871
Speaker's allowance		465,100	461,105
Chief Whip		441,453	433,355
Executive Committee Members		1,593,513	1,437,648
Councillors' allowances		7,059,166	6,852,851
Councillors' pension and medical aid contributions		540,275	552,740
		10,953,567	10,564,678
<p>The Mayor, Deputy Mayor, Speaker and Chief Whip are full time councillors, and have office and secretarial support at the cost of the Council</p> <p>The Mayor has the use of a Council leased vehicle for official duties.</p>			
11 FINANCE COSTS			
Borrowings	64	580,364	10,961
Bank overdraft	65	62,686	137,862
		643,051	148,823
Total interest on external borrowings			
		643,051	148,823
12 REVALUATION RESERVE			(Restated)
<p>Land and buildings have been revalued to fair value during the year ended 30 June 2009 using values determined by the Council's independent valuers on the depreciated replacement value basis</p> <p>The revaluation surplus is reconciled as follows:</p>			
Balance at beginning of year		246,667,060	74,488,946
Surplus arising on revaluation of properties			
Surplus arising on componentising roads and electricity assets			312,011,129
Correction of depreciation of roads and electricity assets			-138,625,983
Write off against revaluation of properties		-984,567	
Surplus realised			
		245,682,493	247,874,092
Less: Depreciation recovered	5426	21,426,637	1,207,032
		224,255,856	246,667,060
Balance at end of year			
		224,255,856	246,667,060
<p>Refer to Appendix B for more detail on property, plant and equipment</p> <p>See also Note 48.</p> <p>The municipality has taken advantage of the transitional arrangements set out in Grap statement No. 17.</p> <p>The municipality is in the process of fine-tuning the asset register records that have been painstakingly compiled. A formal physical verification was carried out in 2010/2011 and amendments were made where applicable. At present, depreciation on infrastructure and community assets is based on an average useful life using some historical costs recorded in somewhat out of date records.</p> <p>The componentised infrastructure exercise for the roads assets and electricity assets is completed. Stormwater will be componentised during the 2011/2012 financial year.</p>			
13 INVESTMENT PROPERTY CARRIED AT FAIR VALUE			
<p>Investment property held by the municipality is as follows:</p> <ul style="list-style-type: none"> i) land leased for cane farming ii) land leased to Government Departments iii) land and buildings leased to sports associations iv) crematorium at Eshowe cemetery v) additional pieces of land leased by property owners vi) old scheme house in Sunnysdale 			
Reconciliation of fair value:			
Fair value in the beginning of the year		6,735,002	5,930,800
Acquisitions			
Fair value adjustment	5428	1,865,800	804,202
Fair value of disposals			
		8,600,802	6,735,002
The fair value of these properties as valued by the Council's valuers, Messrs. HCB Properties			
		8,600,802	6,735,002
Certain properties classified as investment properties at municipal value		4,403,500	3,648,500
Rental income derived from these properties amount to		1,207,029	1,220,425

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

		<u>2011</u> R	<u>2010</u> R
14 CASH AND CASH EQUIVALENTS			
The Municipality has the following bank account:			
Current account (Primary Bank Account)			
First National Bank Limited, Eshowe Branch - Account No. 52 191 090 523			
Bank statement balance at beginning of year		3,245,084	2,085,499
Bank statement balance at end of year		3,917,290	3,245,084
Cash book balance at beginning of year		3,484,030	-2,332,964
Cash and cash equivalents consist of the following:			
Cash book balance at end of year	352	4,105,810	3,484,030
Petty Cash	350	24,700	24,700
Floats	351	1,440	1,440
		<u>26,140</u>	<u>26,140</u>
		4,131,950	3,510,170
		<u><u>4,131,950</u></u>	<u><u>3,510,170</u></u>
15 SERVICE CHARGES			
Sale of electricity	11	38,380,580	32,722,480
Refuse removal	20	6,134,421	5,303,013
		<u>44,515,001</u>	<u>38,025,494</u>
		<u><u>44,515,001</u></u>	<u><u>38,025,494</u></u>
16 ACCUMULATED SURPLUS			
Accumulated surplus (deficit) at the beginning of the year		154,593,187	125,843,320
Operating (deficit) surplus for the year		-4,379,114	-4,712,791
Appropriations for the year :			
Prior year adjustments		-2,450,074	-901,536
Financing of acquisitions ex reserves			
Accumulated Surplus/(Deficit) before transfer from reserves, at end of year		<u>147,763,999</u>	<u>120,228,993</u>
Transfer from Reserves:			
Capital replacement reserve			-
Capitalisation reserve		-	
Government grant reserve		21,842,892	34,364,194
Accumulated Surplus/(Deficit) at end of year		<u>169,606,891</u>	<u>154,593,187</u>
		<u><u>169,606,891</u></u>	<u><u>154,593,187</u></u>
In terms of paragraph 144 of GRAP 1, all balances in reserves and trust fund accounts that are not represented by cash, should be transferred to the accumulated surplus/ (deficit) account in the statement of changes in net assets. There is no legislative requirement to maintain such separate fund accounts.			
17 DEPRECIATION AND AMORTISATION			
Property, plant and equipment		28,441,164	7,243,740
Intangible assets		19,740	21,013
		<u>28,460,904</u>	<u>7,264,753</u>
		<u><u>28,460,904</u></u>	<u><u>7,264,753</u></u>

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
18 CASH GENERATED BY OPERATIONS		
(Deficit) surplus for the year	-4,352,126	-4,712,791
Adjustments for:-		
Previous year's operating transactions	-2,450,074	-901,536
Depreciation	28,460,904	7,264,753
Depreciation recovered from reserves	-21,426,637	-1,207,032
(Gain)/ loss on sale of assets	-671,423	-44,867
Contribution to provisions - non-current		
Post retirement medical benefits	1,826,782	341,779
Long service awards	1,080,017	413,215
Contribution to provisions - current		
Leave	1,430,229	962,649
Bad debts	1,225,733	179,140
Finance costs	643,051	148,823
Fair value adjustments	-1,865,800	-804,202
Interest earned	-1,073,676	-895,763
Non-operating income:		
Income credited to Reserves/Provisions	22,715,255	37,576,999
Non-operating expenditure:		
Expenditure charged against Housing Operating Account	-85,202	-21,125
Expenditure charged against provision for bad debts	-1,038,036	-2,691,558
Expenditure charged against provision for leave	-820,327	-602,803
Expenditure charged against provision for long service awards	-370,483	-166,310
Expenditure charged against reserves	-516,493	-237,170
Operating surplus before working capital changes:	22,711,693	34,602,202
(Increase) / decrease in inventories	90,225	-178,857
(Increase) / decrease in trade receivables	-1,950,997	1,408,023
(Increase) / decrease in other receivables	-1,088,346	-44,437
(Increase) / decrease in VAT receivable	-254,452	318,119
Increase / (decrease) in unspent conditional grants and receipts	1,187,008	6,373,472
Increase / (decrease) in trade payables	-4,056,501	977,586
Increase / (decrease) in consumer deposits	203,014	48,001
Increase / (decrease) in VAT payable	553,603	36,633
	-5,316,444	8,938,540
Cash generated by/ (utilised in) operations	17,395,249	43,540,742
19 INCREASE / (DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans raised	2,575,445	3,208,610
Loans repaid	-329,319	-79,488
	2,246,126	3,129,122
20 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments realised	66,322,379	62,403,747
Investments (invested)	-66,584,344	-61,857,935
	-261,965	545,811
21 (INCREASE) / DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	3,510,170	-2,306,824
LESS : Cash balance at the end of the year	4,131,950	3,510,170
	-621,780	-5,816,994
22 RETIREMENT BENEFITS		
The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2010 interim has been completed).		
Superannuation		
An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2010(31/03/2009) The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by: made up as follows :		
	154,800,000	368,600,000

uMLALAZI MUNICIPALITY

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FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
For service to 31 March 2010		
for pensioners - surplus funding level 119.8% (2009: deficit funding level 123.2%)	368,100,000	398,500,000
for members - deficit funding level 92.9% (2009: deficit funding level 98.8%)	-213,300,000	-29,900,000
The fund held an Investment Reserve at 31 March 2010	73,000,000	567,000,000
Conclusion		
The funding level of the Fund decreased from 98.8% to 95.9% (decreased from 104.7% to 98.8%) over the valuation period The actuary is satisfied that the Fund was fully funded and financially sound on the Discounted Cash Flow method; and The required contribution rate for future service exceeded the contribution rate payable by 1.69% of pensionable salaries. This will be reviewed at the next interim actuarial valuation of the fund at 31 March 2011 when the outcome of a possible merger with the Retirement Fund will be known with more certainty.		
Provident Fund		
The salient features of the Statutory Valuation Report on the fund as at 31 March 2010 were that the net market value of the Fund's assets were not sufficient to fully cover the members' share account and to provide total reserves of	818,797,000	587,882,000
The liabilities of the Fund did not exceed the assets, resulting in a small surplus (or unallocated assets) of which represents 2.34% of assets, is a feature of the smoothed bonus approached followed by the fund and will be met from future investment earnings	17,651,000	13,930,000
Conclusion		
The fund has recouped the deficit by declaring smaller bonuses after the valuation date.		
The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2010.		
Retirement Fund		
The salient features of the statutory valuation of the fund at 31 March 2010 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by:	-128,900,000	-80,100,000
Made up as follows:		
For service to 31 March 2010		
for pensioners - funding level 114.6% (2009 : funding level 119.1%) - surplus	114,300,000	134,100,000
for members - funding level 79% (2009 : funding level 79.5%) - deficit	-243,200,000	-214,200,000
The fund was thus funded	79.00%	79.50%
The fund did not hold an Investment Reserve.		
With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently	15.35%	17.00%
and members pay	1.65%	1.65%
Based on the valuation assumptions applied in 2000 the shortfall was expected to be fully funded by 2011. During the previous interim valuation the actuary found that the mortality assumption for pensioners was not in line with actual experience and so the assumption was changed. Accordingly, the current surcharge is required to continue for a further two years after 2010 to be fully funded.		
Conclusion		
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund, including the surcharges are sufficient to meet the shortfall by 30 June 2010 and based on the revised assumptions, which allow for the improving pensioner mortality, an extension of the surcharge for a further two years is necessary		
Municipal Councillors' Pension Fund		
The audited financial statements for the financial years ended 30 June 2009, 2010 and 2011 have not been distributed as yet, as these audits have not been completed. Accordingly, reliable financial formation is not available to be presented.		
23 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share grant	70 50,439,051	40,398,679
Department of Co-operative Governance and Traditional Affairs	71 2,921,719	2,626,643
Provincial health subsidies	72 3,090,436	2,192,866
Provincial Administration	73 193,039	94,563
uThungulu District Municipality	74 871,616	797,712
Total Government Grant and Subsidies	57,515,861	46,110,463

uMLALAZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
23 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
Equitable share grant		
All registered indigents receive a monthly subsidy of R 80.00, which is funded from this grant.		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Opening balance	-5,498,933	-3,054,354
Equitable share grant allocation for the reporting year	-58,564,389	-47,879,565
Refund from housing		-1,006,110
Operating savings in 2011	-5,093,268	
Expenditure	4,320,249	
Capital savings in 2011	-2,546,311	
Transferred to revenue	49,439,389	40,398,679
Transfer to capital funding	9,125,000	6,042,417
Closing balance transferred to unspent grants	-8,818,262	-5,498,933
Provincial health subsidies		
Current year receipts - included in public health vote	3,090,436	2,192,866
Conditions met - transferred to revenue	-3,090,436	-2,192,866
Conditions still to be met - transferred to liabilities	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded as follows:		
Surgical sundries	100%	
Stores	100%	
Equipment	100%	
Subsistence and travel, transport and travelling	100%	
Miscellaneous	100%	
Personnel	100%	
The grant has been used exclusively to fund clinic services.	Based on sliding scale	
The conditions of the grant have not been met.		
There are no delays or withholding of the subsidy.		
Department of Co-operative Governance and Traditional Affairs		
Current year receipts	2,921,719	2,626,643
Conditions met - transferred to revenue	-2,921,719	-2,626,643
Conditions still to be met - transferred to liabilities	-	-
Provincial Administration		
Current year receipts	193,039	94,563
Conditions met - transferred to revenue	-193,039	-94,563
Conditions still to be met - transferred to liabilities	-	-
uThungulu District Municipality		
Current year receipts	871,616	797,712
Conditions met - transferred to revenue	-871,616	-797,712
Conditions still to be met - transferred to liabilities	-	-
24 BULK PURCHASES		
Electricity	75 25,780,432	17,812,169
25 CAPITAL COMMITMENTS		
25.1 Commitments in respect of capital expenditure		
Approved and contracted for	3,375,625	17,729,822
Infrastructure	3,375,625	12,312,152
Community		5,417,670
Investments property		
Other		
Approved and not contracted for	29,942,365	34,911,885
Infrastructure	22,811,096	7,397,606
Community	4,480,969	23,063,279
Investments property	220,000	1,890,000
Other	2,430,300	2,561,000
Total	33,317,990	52,641,707
This expenditure will be financed from:		
Own resources		
External loans	-	
Government Grants	33,317,990	52,641,707
District Council Grants		
	33,317,990	52,641,707

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	<u>2011</u> R	<u>2010</u> R
25.2 Operating leases		
Council has concluded operating lease agreements with suppliers which are required to be paid in instalments as follows:		
In the year ending 30 June 2010		245,867
In the year ending 30 June 2011	306,528	
In the year ending 30 June 2012		
In the year ending 30 June 2013		
Total	<u>306,528</u>	<u>245,867</u>
25.3 Finance lease liability		
Council has not concluded any finance lease agreements with suppliers.		
26 EMPLOYEE RELATED COSTS		
Remuneration of the Municipal manager		
Annual remuneration	1,033,704	952,898
Performance bonus	144,719	144,719
	<u>1,178,422</u>	<u>1,097,617</u>
Remuneration of the Deputy Municipal manager		
Annual remuneration	727,841	670,945
Performance bonus	101,898	101,898
	<u>829,739</u>	<u>772,843</u>
Remuneration of the Director: Corporate Services		
Annual remuneration	666,967	614,830
Performance bonus	83,375	93,375
	<u>750,343</u>	<u>708,205</u>
Remuneration of the Chief Financial Officer		
Annual remuneration	727,841	670,945
Performance bonus	101,898	101,898
	<u>829,739</u>	<u>772,843</u>
Remuneration of the Director: Protection Services		
Annual remuneration	666,967	358,651
Performance bonus	54,469	54,469
	<u>721,436</u>	<u>413,120</u>
Remuneration of the Director: Community Services		
Annual remuneration	666,967	614,830
Performance bonus	93,375	93,375
	<u>760,343</u>	<u>708,205</u>
Remuneration of the Director: Engineering Services		
Annual remuneration	666,967	614,830
Performance bonus	93,375	93,375
	<u>760,343</u>	<u>708,205</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
EMPLOYEE RELATED COSTS			
Salaries and allowances	80	35,039,288	30,850,658
Contributions to UIF, group life, pensions and medical aids	81	8,290,221	7,209,859
Travel, motor car, accommodation, subsistence and other allowances	82	2,381,919	2,509,989
Housing benefits and allowances	83	159,635	150,195
Overtime payments	84	2,265,074	2,063,837
Performance bonus	85	683,109	608,035
Protective clothing	87	403,615	299,128
Workmen's compensation	88	231,087	273,094
Skills development levy	102	412,592	319,948
		<hr/>	<hr/>
Total employee related costs		49,866,542	44,284,743
		<hr/>	<hr/>
There were no advances to employees			
27 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill site			
Balance at the beginning of the year		7,171,378	2,998,473
Contribution to provision		1,594,128	4,172,905
Expenditure incurred			
		<hr/>	<hr/>
Balance at the end of the year	300	8,765,506	7,171,378
Provision has been made for the estimated cost of rehabilitating the council's refuse site. The estimated cost has been determined by the Council's Director: Engineering Services.			
28 EMPLOYEE BENEFIT OBLIGATIONS			
28.1 Provision for post retirement medical benefits			
The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the Medical aid contribution after retirement.			
An actuarial valuation was carried out at 30 June 2011 and the full liability has been raised which relates to retired employees and existing employees. The main assumptions used by the actuary are:			
Discount rate per annum		8.68%	9.20%
Health care cost inflation rate		7.35%	7.26%
Net effective discount rate		1.24%	1.81%
Medical benefit inflation (long term) CPI increases		5.60%	5.51%
		<hr/>	<hr/>
Accrued liability at 30 June 2011	105	8,061,223	6,234,441
Future - service cost		485,601	339,713
Interest cost		689,960	564,903
Expected benefits payments		-222,192	-193,176
Actuarial Loss(gain)		-	-
Total annual expense		<hr/>	<hr/>
		953,369	711,440
		<hr/>	<hr/>
Projected accrued liability at 30 June 2012		9,014,592	6,945,881
Total Liability	105	8,061,223	6,234,441
Current portion of long term liability		-485,601	-339,713
		<hr/>	<hr/>
Long term		7,575,622	5,894,728
		<hr/>	<hr/>
28.2 Provision for long-service awards			
The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.			
An actuarial valuation was carried out at 30 June 2011 and the full liability has been raised. The main assumption used by the actuary are:			
Discount rate per annum		7.74%	9.11%
General salary inflation rate (long term)		6.25%	6.44%
Net effective discount rate		1.40%	2.51%
Benchmark inflation (equal to salary inflation)		5.25%	5.44%

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
28.2 Provision for long-service awards (continue)			
Accrued liability at 30 June 2011	106	2,699,151	1,857,138
Future - service cost		343,667	257,493
Interest cost		198,385	158,254
Expected benefits payments		-277,936	-245,687
Actuarial Loss(gain)		-	-
Total annual expense		<u>264,116</u>	<u>170,060</u>
Projected accrued liability at 30 June 2012		2,963,267	2,027,228
Total Liability	106	2,699,151	1,857,138
Current portion of long term liability		-343,667	-257,493
Long term		<u>2,355,484</u>	<u>1,599,645</u>
Total employee benefit obligations		<u>9,931,106</u>	<u>7,494,373</u>
29 CONTRIBUTION TO POST RETIREMENT MEDICAL BENEFITS AND LONG-SERVICE AWARDS			
Post retirement medical benefits	6100	1,826,782	341,779
Long-service awards	6101	1,080,017	413,215
		<u>2,906,799</u>	<u>754,994</u>
30 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT			
30.1 Contributions to organised local government			
KwaZulu-Natal Local Government Association (KWANALOGA)			
Opening balance		-	-
Council subscriptions:			
Bargaining Council	101	224,016	159,680
Amount paid - current year	103	15,203	13,530
		<u>-239,219</u>	<u>-173,210</u>
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
30.2 Audit fees			
Opening balance		-	-
Current year audit fees	12	1,277,758	1,118,194
Amount paid - current year		<u>-1,277,758</u>	<u>-1,118,194</u>
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
30.3 Value added tax			
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
VAT input receivables are shown in note 7 and VAT input payables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.			
30.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		7,079,341	5,871,832
Amount paid - current year		<u>-7,079,341</u>	<u>-5,871,832</u>
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
30.5 Pension and Medical Aid Deductions			
Opening balance		-	-
Current year payroll deductions and Council Contributions		11,790,947	5,607,260
Amount paid - current year		<u>-11,790,947</u>	<u>-5,607,260</u>
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
30.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2011			
	Total	Less Than 90 days	More than 90 days
Cllr S Naicker	11,077.42	1,351.14	9,726.28
Cllr M T-G Mchunu	2,272.76	903.59	1,369.17
Total Outstanding	<u>13,350.18</u>	<u>2,254.73</u>	<u>11,095.45</u>
Outstanding during the year of 2010/2011			
	Highest Amount Outstanding	Ageing days	
Cllr S Naicker	8,309.95	180 days	
Cllr M T-G Mchunu	1,369.17	120 days	
Total Outstanding	<u>9,679.12</u>		

uMLALAZI MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2011

		<u>2011</u> R	<u>2010</u> R
31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE			
<u>31.1 Unauthorised expenditure</u>			
No unauthorised expenditure to report at reporting date.			
		<u>-</u>	<u>-</u>
<u>31.2 Fraudulent revenue loss</u>			
Reconciliation of fraudulent revenue loss:			
Opening balance:			
Theft of cash - Rates Hall	102,191.36		
Legal fees	<u>169,100.92</u>		271,292
Received from Council's Insurance Brokers - 24/10/2008			-88,492
Legal fees 20/05/2009			3,676
Fraudulent revenue loss in 2008/2009 financial year			7,652
Approved by Council or condoned			
Transfer to receivables for recovery - not condoned (Note 7)			-194,128
			<u>-</u>
Fraudulent revenue to be condoned or transferred to receivables			<u>-</u>
Status report on incidents			
1. Theft of cash-Rates Hall	Account number	9999763	
Court case pending			
	Balance 30/06/2009	186,476.49	
	Legal fees	<u>-</u>	
	Balance 30/06/2011	<u>186,476.49</u>	
Court case 20 September 2010 - postponed to 07 February 2011			
Court case 07 February 2011 - postponed to 01 July 2011			
Court case 01 July 2011 - postponed to 24 October 2011			
2. Theft of cash-Butcher Street	Account number	9999616	
	Balance 30/06/2009	7,651.58	
	Payment	-300.00	
	Salary deduction	<u>-5,498.49</u>	
	Balance 30/06/2011	<u>1,853.09</u>	
Made arrangements to settle account in instalments. Debtor did not honour the agreement. Handed over in 2010/2011			
32 RECONCILIATION OF BUDGET SURPLUS/ (DEFICIT) WITH THE SURPLUS/ (DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE			
Net surplus/ (deficit) per the statement of financial performance		-4,352,126	-4,712,791
Adjusted for:			
Fair value adjustments		-1,065,800	-804,202
(Surplus)/deficit on the sale of assets		-471,423	2,455,133
Increases/ (decreases) in provisions		24,863,164	1,743,436
(Increases)/decreases in revenue derived from tariffs		78,196	3,977,746
(Increases)/decreases in other revenue		350,894	-541,189
(Increases)/decreases in interest earned on external investments		-284,589	470,615
(Increases)/decreases in government grants and subsidies received		6,739,877	2,430,532
(Increases)/decreases in depreciation recovered from reserves		-20,226,637	1,364,768
Increases/ (decreases) in employee related cost		-3,712,801	69,511
Increases/ (decreases) in general expenses		-6,232,682	-5,684,837
Increases/ (decreases) in contracted services		-298,566	860,503
Increases/ (decreases) in other expenditure		5,027,102	-1,312,769
Net surplus/ (deficit) per approved budget		<u>414,610</u>	<u>316,457</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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		2011	2010
		R	R
33 REPAIRS AND MAINTENANCE			
Buildings	6930	291,138	344,774
Electricity mains	7050	247,217	256,697
LV & HV Upgrading	7102	436,665	362,928
Electricity sub stations	7010	23,684	15,906
Fuel and oil	7180	1,509,672	1,233,786
Furniture and equipment	6950	124,183	150,518
Government grants expenditure	7150	1,109,705	944,869
Grounds (Parks and gardens, Cemeteries)	6960	21,572	73,743
Grounds (Recreation grounds)	6970	8,653	10,870
Information signs	7080	5,545	11,488
Office equipment	6900	56,881	57,574
Refuse site	6980	-	151,453
Roads and streets	6910	609,445	424,753
Small plant and equipment	7021	100,948	87,415
Speed testing equipment	7120	4,813	12,816
Street lights	7100	214,064	184,360
Traffic signs	7110	16,388	18,598
Transport	7020	708,947	740,680
Maintenance Air conditioners	6951	4,640	3,500
Maintenance Swimming Pools	7000	-	4,019
Street Names	7090	2,252	1,810
Private Jobbing	7130	8,938	4,280
		5,505,350	5,096,839
34 CONTRACTED SERVICES			
Contracted services for:			
Archive storage	7856	10,302	
Bank collections	7775	169,802	222,394
Cleaning : Bus rank	7830	215,245	209,927
Cleaning Contracts	7770	161,090	141,599
Computer maintenance	7845	541,855	572,039
Grass cutting	7815	1,002,201	985,580
Insurance	7850	519,568	470,213
Internal audit	7760	701,098	551,129
Lease: Propnet properties	7795	262,181	
Lease: Weigh bridge	7857	483,000	
Library			26,563
Management system: Pre paid electricity	7840	38,381	
Medical waste	7810	21,240	17,000
Pauper burials	7820	1,360	
Performance management	7765	90,332	
Pre paid electricity commission	7859	187,992	
Refuse removal	7835	3,722,847	4,188,460
Rental of land	6450	-	260,503
Rental of office equipment	7855	315,742	345,764
Security	7800	1,565,298	986,353
Town planning	7780	478,688	416,653
Traffic violation system	7805	1,639,450	1,388,807
Valuation costs: Monthly maintenance	7785	328,711	392,328
Valuation costs: Second valuation process	7858	636,097	
		13,092,479	11,175,313
35 GRANTS AND SUBSIDIES PAID			
Child and Family Welfare Organisation	6705	60,000	55,000
Society for the Prevention of Cruelty to Animals	6685	100,000	55,000
uMlalazi Tourism Association	6755	170,000	160,000
Zululand Historical Museum	6380	69,000	65,000
		399,000	335,000

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		2011	2010
		R	R
36 GENERAL EXPENSES			
Included in the general expenses are the following:			
Advertising	6120	383,141	480,050
Audit fees	6150	1,277,758	1,118,194
Bank charges	9901	277,122	181,961
Bargaining Council levies		15,203	
Bursaries	9902	83,218	16,413
Chemicals	6180	21,135	37,103
Civic expenses	6190	101,161	114,001
Cleaning materials	9903	73,283	65,277
Conference and delegations	6230	22,680	38,772
Consulting fees	6605	-	335,866
Council's communication (Annual report, IDP and Quarterly newspaper)	9904	253,331	190,577
Electricity connections	6601	-	
Entertainment allowances	6335	112,813	100,771
Finance Management Grant	9905	1,175,879	1,000,000
Furniture removal cost: Staff		42,689	
Government grants expenditure		18,127,959	15,321,694
Grants and subsidies paid		399,000	335,000
Housing Administration	6390	16,270	16,270
Informal settlements eradication	6606	-	100,000
Legal expenses	6470	1,335,644	1,473,703
License fees	6630	35,113	37,247
Loose Tools	6500	24,608	25,759
Management system: Pre paid electricity	6515	-	134,163
Medical supplies	6530	125,375	117,767
Membership fees (SALGA)	6730	224,016	159,680
Periodicals and publications	6570	85,376	56,857
Postage	6590	128,125	87,965
Printing and stationary	6600	586,181	570,815
Publicity	6620	44,571	58,797
Rates rebates	6792	12,297,750	8,207,647
Refuse bin liners	6650	557,993	276,838
Rental of buildings	6431	28,000	73,090
Road marking	6540	77,688	83,916
SABS: 3% charge	6680	35,157	13,199
Stock losses		120,603	
Subscriptions		17,413	
Subsistence and travel	6740	574,701	548,308
Telephone costs	6750	1,125,506	1,134,684
Training	6710	411,122	220,365
Ward committees	6793	26,354	87,966
Water and sanitation costs	6850	1,372,685	769,228
Weed eradication	6840	189,601	188,897
Other		53,789	65,412
		41,860,011	33,844,252

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
37 RENTAL OF FACILITIES AND EQUIPMENT			
Included in the rental of facilities are the following:			
Community halls/ Sports Club	5410	101,835	97,458
Land for sugar cane	5190	1,061,234	1,181,698
Road reserve	5470	97	194
Sports Club	0		6,066
Staff houses	5465	85,530	81,605
Sunnydale house	5490	6,310	6,009
Other rentals	5200	103,124	74,151
		<u>1,358,130</u>	<u>1,447,182</u>
38 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank	5310	634,589	392,585
Other		-	-
		<u>634,589</u>	<u>392,585</u>
39 LICENCES AND PERMITS			
Trade licences	5260	1,886	2,375
Testing station fees	5270	2,136,608	1,679,065
Registration of vehicles	5280	996,290	628,534
Rank permits	5520	5,614	10,237
		<u>3,140,398</u>	<u>2,320,212</u>
40 OTHER INCOME			
Included in the other income are the following:			
Building plan fees	5210	118,235	121,308
Burial fees	5005	159,564	141,466
Caravan park entrance fees	402	16,759	9,291
Commission on stop orders	5080	24,172	19,580
Electricity connection fees	5220	243,949	126,100
Encroachment fees	5300	32,129	32,707
Garden refuse removal	5205	84,684	166,498
Housing administration fees and Insurance	5450	66,808	52,364
Photocopying	5265	55,606	124,445
Pre paid electricity sales administration fees	5555	83,342	144,326
Profit on E-card sales	5045	11,121	4,160
Rates clearance certificates	5070	14,210	9,445
SETA Refund on staff training costs	5420	181,372	167,905
Swimming pool fees	404	5,732	34,827
Sundry	5722	186,565	96,547
Use of refuse transfer station	5207	25,155	
		<u>1,309,406</u>	<u>1,250,968</u>
41 GAIN/ (LOSS) ON SALE OF ASSETS			
Property, plant and equipment	5293	671,423	44,867
Intangible assets		-	-
Investment property		-	-
Other financial assets		-	-
		<u>671,423</u>	<u>44,867</u>
42 CONTRIBUTIONS TO STAFF LEAVE			
Balance at beginning of year		1,887,437	1,527,591
Contributions to provision	7400	1,430,229	962,649
Commuting of staff leave against provision		820,327	602,803
Balance at end of year		<u>2,497,339</u>	<u>1,887,437</u>
43 CURRENT PROVISIONS			
Current portion of post retirement medical benefits		485,601	339,713
Current portion of long service awards and retirement gifts		343,667	257,493
Provision for leave		2,497,339	1,887,437
		<u>3,326,607</u>	<u>2,484,643</u>

uMLALAZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2011
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2010
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44 DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

The following deviations from the procurement processes are disclosed in terms of Section 36(2)(iii) of the Supply Chain Management Regulations:

Date	Supplier	Item description	Reason for deviation	Value
July	Avis Van Rental	Rental of single cab for 1 month - fire fighting.	Vehicle in use by the fire department, extended contract for one month.	19,203.30
	East Toyota	Overhaul complete brakes, drum, lining disc pads NES 8288.	Nearest Toyota agent in area.	7,608.36
	Sizanani Electrical	Strip, check and repair transformer.	Impractical to follow the official procurement processes.	19,701.48
	Fujitsu Services	Consultant for Corvu: 2009/2010 annual financial statements.	Consultant for Corvu.	12,540.00
	Rovan Security	Upgrade of alarm system in financial department.	Supplier of municipality's security system network.	9,000.00
	Netwize	Ms office pro 2007 x 5, Ms projects 2007 x 5.	Deviation from procurement process over R30 000.	40,185.00
	Netwize	Data point over 30m, trunking 10x25mm installed and cabling.	Netwize is municipality's computer maintenance contractor.	3,511.20
	EVT Powering Indus	Strip, check and repair 2 x DCD relays.	Impractical to follow the official procurement processes.	17,100.00
	Netwize	Storage shadow protect server edition x 1, ext hard drives x 2	Netwize is municipality's computer maintenance contractor.	20,485.80
August	Haigs Mowers	Strip, check and repair chain saw.	Impractical to follow the official procurement processes.	3,947.70
	Much Asphalt Betong	Roads: cold mix bulk x 25 tons. Roads: fig 6 kerbs x 40, fig 8 kerbs x 80.	Manufacturer of cold mix in the area. Sole supplier within Eshowe area - companies out of area, transport cost too high.	29,925.00
	Nqalabutho Invest	500 x 1kg EMPOWA nutritional supplement.	Manufacturer and sole supplier.	9,120.00
	East Toyota	Renew clutch kit - Toyota Hino NES 11261.	Nearest Toyota agent in area.	25,650.00
	Ntumeni Field Services	Attend to clutch - fire tender NES 4375 (strip and check).	Impractical to follow the official procurement processes.	16,436.04
	Neffcon	Service and calibrate testing station equipment.	Sole supplier to calibrate testing station equipment in KZN.	8,544.87
	Netwize	Cable points for CDW lane sidewalk.	Netwize is municipality's computer maintenance contractor.	3,904.50
	Fujitsu Services	Abakus cashbook module.	Sole supplier of Abakus cashbook module.	18,297.00
				34,680.37
September	Box Clever	Hire of 15 containers for 4 months: Eshowe taxi rank.	An emergency- company wanted to remove containers from premises.	74,966.40
	VIP Payroll System	Meeting to link HR & payroll.	Supplier of payroll system.	4,762.35
	ESRI South Africa	ARC view SU primary license GIS (Engineers Department).	Supplier of GIS system.	10,944.00
October	Box Clever	Hire of 15 containers for September: Eshowe taxi rank.	Supplier of containers.	18,705.00
	Much Asphalt	Roads: hot mix bulk x 36 tons.	Manufacturer of hot mix in the area.	29,261.00
	Much Asphalt	Roads: cold mix bulk x 25 tons.	Manufacturer of cold mix in the area.	29,925.00
	Barbi's Fabric	Supply and deliver of 9 x elec sewing machines (Singer 978).	Advertised on web site and notice boards - only one supplier responded.	23,760.00
	Barbi's Fabric	Supply and deliver of 23 x hand sewing machines (Singer).	Advertised on web site and notice boards - only one supplier responded.	59,985.00
	Mkhunjini Constr	Rehabilitation of borrow pit for upgrading of Mpongose hall.	Contractor on site.	37,000.00
	Rovan Security	Security system at offices at Gingindlovu.	Advertised on web site and notice boards - only one supplier responded.	6,800.00
November	East Toyota	Carry out 70 000km service NES 8285.	Service to be done at dealership - vehicle warranty.	9,681.51
	Provincial Motors	Carry out 30 000km service NES 12345.	Service to be done at dealership - vehicle warranty.	4,470.99
	Empangeni Milling	Day old chickens x 950 plus food and equipment.	Only responsive service provider on procurement request.	12,190.46
	Box Clever	Hire of 15 containers for October: Eshowe taxi rank.	Supplier of containers.	16,245.00
	Provincial Motors	Carry out 105 000km service and prop shaft repair.	Service to be done at dealership - vehicle warranty.	3,804.98
	Digital Voice Proc.	New data projector & laser pointer for Council Chamber.	The company supplied the previous projector that was sent for repairs.	10,908.66
	Nqalabutho Invest	500 x 1kg EMPOWA nutritional supplement.	Manufacturer and sole supplier.	25,650.00
	Richie Auto	Strip and check for default - fit brake valve - NES 5087 (tractor).	Ford agent in area.	17,959.25
	Barbi's Fabric	Supply and deliver of 4 x Singer over locker machines.	Sole supplier in Eshowe area.	15,996.00
				<u>712,856.22</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

				2011 R	2010 R
44 DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (CONTINUE)					
	Balance brought forward			712,856.22	
	Uniclox Technology	Finger print clocking machine (Engineers Department).	Quote advertised - only one responsive supplier.	15,960.00	
January	VIP Payroll System	Merger of HR & payroll.	Supplier of payroll system.	20,074.83	
	Zama Traffic	Repair to traffic controller, supply and install two bed LED optics.	An emergency.	12,015.60	
	Sizanani Electrical	Strip, check and repair 25 KVA transformer.	Impractical to follow the official procurement processes.	12,255.00	
	Fujitsu Services	Corvu support.	Consultant for Corvu.	21,094.56	
	Pops Printer	Drivers and learners license application forms.	KZN Transport sourced out supplier for material to be procured.	19,380.00	
	Much Asphalt	Roads: hot mix bulk x 35 tons.	Manufacturer of hot mix in the area.	29,526.00	
	Much Asphalt	Roads: cold mix bulk x 23 tons.	Manufacturer of cold mix in the area.	28,840.00	
	EVT Powering Indus	Strip, check and repair MV SF6 breakers.	Impractical to follow the official procurement processes.	10,225.80	
	East Toyota	Strip, check and repair Toyota Land cruiser of fire department.	Nearest Toyota agent in area.	12,911.47	
February	PSI Phelelani	Supply and delivery of note book for Community Department.	An emergency.	32,848.00	
	East Toyota	Rear break cylinders complete x 4 - Toyota flat bed truck.	Nearest Toyota agent in area.	6,434.98	
	Amahle Plumbing	Variation order for painting work at skills centre - Gingindlovu.	Contractor on site.	5,814.00	
	Box Clever	Hire of 15 containers for December January: Eshowe taxi rank.	Supplier of containers.	32,490.00	
	Rovan Security	Security system at testing station.	Supplier of municipality's security system network.	6,760.00	
	Netwize	Install MS Office and configure network for 20 note books (LED)	Netwize is municipality's computer maintenance contractor.	18,331.20	
	Eshowe Guest House	Accommodation for Fujitsu staff.	Other quotes above R3 000.	7,000.00	
March	Much Asphalt	Roads: cold mix bulk x 23 tons.	Manufacturer of cold mix in the area.	28,842.00	
	Ntumeni Field	Strip and check for default - repair detective brakes (NES 1692-refuse)	Impractical to follow the official procurement processes.	3,253.86	
	Conlog	Pre paid electricity meters.	Manufacturer of meters and comply with pre paid management system.	66,006.00	
	Sparks and Ellis	Uniforms for fire fighting staff.	Uniforms made per person sizes, length to fit company measures.	18,928.50	
	Inkonjane Construction	Grass cutting of sport fields, peace centres and crèches (Zone 4)	Contractor working in in Zone 4 on waste management project.	41,641.40	
	Mtima Building	Grass cutting of sport fields, peace centres and crèches (Zone 3)	Contractor working in in Zone 3 on waste management project.	29,062.38	
	Netwize	Computer mini tower core 13PC Internal Audit.	Set up cost added by Netwize if set up is procured from other companies.	5,836.80	
	Top Carpets	Supply and fit barber point carpet in Mtunzini library.	Only responsive service provider on procurement request.	20,790.00	
	East Toyota	Carry out 80 000km service, replace front disc pads (NES 8285-traffic)	Nearest Toyota agent in area.	4,228.88	
April	Southern Africa	Strip, check and repair electrical pressure tester.	Impractical to follow the official procurement processes.	11,918.70	
	Thembelihle	Waste management and recycling projects in Zone 1 and 3.	Other quote incomplete.	28,800.00	
	Sizanani Electrical	Strip, check and repair Kyle auto recloser.	Impractical to follow the official procurement processes.	13,680.00	
	Much Asphalt	Roads: hot mix bulk x 35 tons.	Manufacturer of hot mix in the area.	29,845.20	
	DOS Group	Tw - 105 stun gun torch taster.	Quote advertised - only one responsive supplier.	3,547.68	
	Box Clever	Hire of 15 containers.	Supplier of containers.	32,490.00	
	Ntumeni Field	Strip and check for default - repair gears locking (NES 5771-refuse)	Impractical to follow the official procurement processes.	5,323.57	
	Pops Printer	Light motor vehicle test report books.	KZN Transport sourced out supplier for material to be procured.	6,498.00	
	Mtima Building	Recycling programme and waste collection (Zone 3) - add 2 months.	Contractor working in in Zone 3 on waste management project.	20,160.00	
	Inkonjane Construction	Recycling programme and waste collection (Zone 4) - add 2 months.	Contractor working in in Zone 4 on waste management project.	21,000.00	
				1,396,670.63	

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
45 ELECTRICITY LOSSES		
Purchase of electricity (kilowatt hours)	49,824,531	48,243,143
Sale of electricity (kilowatt hours)	44,037,904	46,867,546
Kilowatt hour losses	<u>5,786,627</u>	<u>1,375,597</u>
Percentage losses	11.61	2.85
Rand value of electricity losses (1 375 597 kWh x 0.60)		825,358.20
Rand value of electricity losses (5 786 627 kWh x 0.67)	3,877,040.09	

Electricity losses are caused by the following:

- 1) Street lights consumptions that are not metered
- 2) Municipal buildings consumptions that are not metered
- 3) Tampering with electricity installations
- 4) Other technical losses

46 RETROSPECTIVE RESTATEMENT OF OPENING BALANCES

During the 2010/2011 financial year, the municipality completed the componentised infrastructure exercise of the roads and electricity assets. In order to complete the exercise successfully, the opening balances of the roads and electricity assets are restated.

The municipality's accounting records for 2011 reflect roads assets of R339 271 676.29 and electricity assets of R65 091 256.74 , (including revaluation of R263 840 388.08 and R48 170 741.16 for roads and electricity respectively).

In 2010, the municipality reported:

Appendix B: Analysis of property plant and equipment

Roads

Cost/Revaluation

Opening balance 30/06/2009	60,865,505
Under construction	6,577,603
Additions	7,988,180
Revaluation	
Closing balance 30/06/2010	<u>75,431,288</u>

Accumulated depreciation

Opening balance 30/06/2009	12,162,297
Additions	<u>2,422,902</u>
Closing balance 30/06/2010	<u>14,585,199</u>

Carrying value 30/06/2010 60,846,089

Electrical

Cost/Revaluation

Opening balance 30/06/2009	15,003,683
Additions	1,916,834
Revaluation	
Closing balance 30/06/2010	<u>16,920,517</u>

Accumulated depreciation

Opening balance 30/06/2009	3,959,712
Additions	<u>556,737</u>
Closing balance 30/06/2010	<u>4,516,449</u>

Carrying value 30/06/2010 12,404,068

APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (EXTRACT)

(Restated)

Roads

Cost/Revaluation

Opening balance	339,271,676	60,865,505
Under construction	2,442,438	6,577,603
Additions	4,091,967	7,988,180
Revaluation		263,840,388
Closing balance	<u>345,806,080</u>	<u>339,271,676</u>

Accumulated depreciation

Opening balance	133,828,033	12,162,297
Additions	21,846,094	2,422,902
Correction		119,242,834
Closing balance	<u>155,674,127</u>	<u>133,828,033</u>

Carrying value 190,131,954 205,443,643

Electrical

Cost/Revaluation

Opening balance	65,091,258	15,003,683
Additions	1,517,948	1,916,834
Revaluation		48,170,741
Closing balance	<u>66,609,206</u>	<u>65,091,258</u>

Accumulated depreciation

Opening balance	23,899,598	3,959,712
Additions	1,725,391	556,737
Correction		19,383,149
Closing balance	<u>25,624,989</u>	<u>23,899,598</u>

Carrying value 40,984,215 41,191,659

uMLALAZI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	<u>2011</u> R	<u>2010</u> R
46 RETROSPECTIVE RESTATEMENT OF OPENING BALANCES (CONTINUE)		
STATEMENT OF CHANGES IN NET ASSETS (EXTRACT)		(Restated)
Opening revaluation reserve as previously reported	246,667,060	74,488,946
Revaluation of roads assets		263,840,388
Revaluation of electricity assets		48,170,741
Offsetting of depreciation	-21,426,637	-1,207,032
Correction of roads assets depreciation		-119,242,834
Correction of electricity assets depreciation		-19,383,149
Closing revaluation reserve	<u><u>225,240,423</u></u>	<u><u>246,667,060</u></u>
47 NON - CURRENT ASSETS HELD FOR SALE		
Property, plant and equipment	3,411,000	4,097,000
Investment property	-	
Other assets	-	
	<u><u>3,411,000</u></u>	<u><u>4,097,000</u></u>

As at 30 June 2011 the Council held 17 vacant lots available for sale in Eshowe, Mtunzini and Gingindlovu. The total value of these lots is R 3 411 000 and it is based on the valuation values as depicted in the municipality's 2010/2011 official valuation roll.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

PROPERTY, PLANT AND EQUIPMENT

	Properties	Investment properties	Community assets	Vehicles	Roads	Storm water	Electrical	Toolbox	Intangible assets	Total
Reconciliation of carrying value										
Carrying values at 01 July 2010	117,078,094	6,735,002	42,204,615	5,332,822	205,443,644	1,618,885	41,191,659	1,934,590	22,624	421,561,935
Cost	121,915,104	6,735,002	47,389,414	11,848,134	339,271,676	2,079,745	65,091,257	8,200,809	941,009	603,472,150
Cost	121,915,104	6,735,002	47,389,414	11,848,134	339,271,676	2,079,745	65,091,257	8,200,809	941,009	603,472,150
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-4,837,010	-	-5,184,799	-6,515,312	-133,828,033	-460,860	-23,899,598	-6,266,219	-918,385	-181,910,216
Cost	-4,837,010	-	-5,184,799	-6,515,312	-133,828,033	-460,860	-23,899,598	-6,266,219	-918,385	-181,910,216
Revaluation	-	-	-	-	-	-	-	-	-	-
Under construction	-	-	2,088,489	-	2,442,438	-	-	-	-	4,530,927
Acquisitions	-	-	8,262,116	1,424,129	4,091,967	475,445	1,517,948	1,164,251	45,762	16,981,618
Increases/ (decreases) in revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation	-1,743,411	-	-1,236,131	-1,091,436	-21,846,094	-71,904	-1,725,391	-726,796	-19,740	-28,460,904
Based on cost	-1,743,411	-	-1,236,131	-1,091,436	-21,846,094	-71,904	-1,725,391	-726,796	-19,740	-28,460,904
Based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-
Cost/ revaluation	-991,500	-	-58,868	-450	-	-	-	-152,809	-	-1,203,627
Accumulated depreciation	6,933	-	15,698	450	-	-	-	137,240	-	160,321
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fair value adjustment	-	1,865,800	-	-	-	-	-	-	-	1,865,800
Carrying values at 30 June 2011	114,350,116	8,600,802	51,275,920	5,665,515	190,131,954	2,022,426	40,984,215	2,356,475	48,646	415,436,070
	120,923,604	8,600,802	57,681,152	13,271,813	345,806,081	2,555,190	66,609,205	9,212,251	986,771	625,646,868
Cost	120,923,604	8,600,802	57,681,152	13,271,813	345,806,081	2,555,190	66,609,205	9,212,251	986,771	625,646,868
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-6,573,488	-	-6,405,232	-7,606,298	-155,674,126	-532,764	-25,624,989	-6,855,776	-938,125	-210,210,799
Cost	-6,573,488	-	-6,405,232	-7,606,298	-155,674,126	-532,764	-25,624,989	-6,855,776	-938,125	-210,210,799
Revaluation	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2011	114,350,116	8,600,802	51,275,920	5,665,515	190,131,955	2,022,426	40,984,215	2,356,475	48,646	415,436,070

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

PROPERTY, PLANT AND EQUIPMENT

	Properties	Investment properties	Community assets	Vehicles	(Restated) Roads	Storm water	(Restated) Electrical	Toolbox	Intangible assets	Total
Reconciliation of carrying value										
Carrying values at 01 July 2009	110,192,167	5,930,800	25,785,670	3,494,663	48,703,208	1,428,312	11,043,971	1,662,540	24,795	208,266,126
Cost	113,310,665	5,930,800	30,106,884	9,283,594	60,865,505	1,828,524	15,003,683	7,840,565	966,695	245,136,915
Cost	113,310,665	5,930,800	30,106,884	9,283,594	60,865,505	1,828,524	15,003,683	7,840,565	966,695	245,136,915
Revaluation										
Accumulated depreciation	-3,118,498	-	-4,321,214	-5,788,931	-12,162,297	-400,212	-3,959,712	-6,178,025	-941,900	-36,870,789
Cost	-3,118,498		-4,321,214	-5,788,931	-12,162,297	-400,212	-3,959,712	-6,178,025	-941,900	-36,870,789
Revaluation										-
Under construction	6,642,057		8,389,745		6,577,603					21,609,405
Acquisitions	1,962,382	-	8,901,518	2,911,771	7,988,180	251,221	1,916,834	986,171	18,842	24,936,918
Increases/ (decreases) in revaluation					263,840,388		48,170,741			312,011,129
Depreciation	-1,718,512	-	-867,192	-968,411	-2,422,902	-60,648	-556,737	-649,338	-21,013	-7,264,753
Based on cost	-1,718,512	-	-867,192	-968,411	-2,422,902	-60,648	-556,737	-649,338	-21,013	-7,264,753
Based on revaluation										-
Carrying value of disposals										
Cost/ revaluation			-8,733	-347,232				-625,927	-44,528	-1,026,421
Accumulated depreciation			3,607	242,030				561,144	44,528	851,309
Impairment losses										-
Fair value adjustment		804,202								804,202
Carrying values at 30 June 2010	117,078,094	6,735,002	42,204,616	5,332,821	324,686,477	1,618,884	60,574,809	1,934,590	22,624	560,187,918
	121,915,104	6,735,002	47,389,414	11,848,133	339,271,676	2,079,745	65,091,258	8,200,809	941,009	603,472,150
Cost	121,915,104	6,735,002	47,389,414	11,848,133	75,431,288	2,079,745	16,920,517	8,200,809	941,009	291,461,021
Revaluation	-	-	-	-	263,840,388	-	48,170,741	-	-	312,011,129
Accumulated depreciation	-4,837,010	-	-5,184,799	-6,515,312	-133,828,033	-460,860	-23,899,598	-6,266,219	-918,385	-181,910,216
Cost	-4,837,010	-	-5,184,799	-6,515,312	-14,585,199	-460,860	-4,516,449	-6,266,219	-918,385	-43,284,233
Revaluation					-119,242,834		-19,383,149			
Carrying values at 30 June 2010	117,078,094	6,735,002	42,204,615	5,332,822	205,443,644	1,618,885	41,191,659	1,934,590	22,624	421,561,935

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

GOVERNMENT GRANTS AND SUBSIDIES

		Balance unspent at 30/06/2011	Received during 2011	Interest earned 2011	Conditions met transferred to revenue	Balance unspent at 30/06/2010	Received during 2010	Interest earned 2010	Conditions met transferred to revenue	Balance unspent at 30/06/2009
GR		R	R	R	R	R	R	R	R	R
DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS										
	5	-				-			-2,212	2,212
		1,013,611	1,000,000	13,611		-				
		1,013,611	1,000,000	13,611	-	-	-	-	-2,212	2,212
NATIONAL TREASURY										
	15	24,794	750,000	21,194	-770,541	24,141	735,000	27,114	-984,436	246,463
	35	3,821,015	18,528,000	223,085	-20,822,337	5,892,267	19,551,000	255,472	-20,662,302	6,748,097
	44	48,913	1,200,000	24,792	-1,175,879	-	1,000,000	67,198	-1,293,986	226,788
	45	-				-			-275,577	275,577
		3,894,722	20,478,000	269,071	-22,768,757	5,916,408	21,286,000	349,784	-23,216,301	7,496,925
DEPARTMENT OF HUMAN SETTLEMENTS										
	51	400,069	5,419,418		-5,073,599	54,250	54,250			-
		400,069	5,419,418	-	-5,073,599	54,250	54,250	-	-	-
DEPARTMENT : SPORT & RECREATION										
	48	-					43,084		-132,114	132,114
		-	-	-	-	-	43,084	-	-132,114	132,114
DEPARTMENT : ARTS & CULTURAL										
	50	114,363	1,548,000	1,115	-1,487,089	52,337	78,900		-26,563	
		114,363	1,548,000	1,115	-1,487,089	52,337	78,900	-	-26,563	-
UTHUNGULU DISTRICT MUNICIPALITY										
	30	-			-29,578	29,578			-77,073	106,651
	30	-			-7,365	7,365	30,000		-22,635	
		6,449			-131,290	137,739	164,102		-26,363	
		6,449	-	-	-168,233	174,682	194,102	-	-126,071	106,651
INGONYAMA TRUST										
		-			-22,084	22,084	50,000		-27,916	
		-	-	-	-22,084	22,084	50,000	-	-27,916	-
		5,429,213	28,445,418	283,797	-29,519,762	6,219,761	21,706,336	349,784	-23,531,177	7,737,902
OTHER UNSPENT GRANTS										
		9,869,170	8,137,449		-6,159,892	7,891,614				
		15,298,383	36,582,867	283,797	-35,679,654	14,111,375	21,706,336	349,784	-23,531,177	7,737,902

APPENDIX A

uMLALAZI MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2011

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2010 R	Received during the period R	Redeemed written off during the period R	Balance 30/06/2011 R	Carrying Value of Property Plant & Equipment R	Other Costs in Accordance with the MFMA R
Annuity Loans									
Development Bank of South Africa	Industrial Area	12.42%		3,924,555	2,575,445	329,319	6,170,681		
TOTAL EXTERNAL LOANS				3,924,555	2,575,445	329,319	6,170,681		

APPENDIX B

uMLALAZI MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2011

	(Restated) Opening Balance 30/06/2010 R	Under Construction 2010/2011	Cost / Revaluation Additions Fair Value Adjustment 2010/2011 2010/2011		Disposals 2010/2011	Closing Balance 30/06/2011 R	(Restated) Opening Balance 30/06/2010 R	Accumulated Depreciation Additions Disposals Closing Balance 2010/2011 2010/2011 30/06/2011			Carrying Value 30/06/2011 R	(Restated) Carrying Value 30/06/2010 R
Properties	121,915,104				-991,500	120,923,604	-4,837,010	-1,743,411	6,933	-6,573,488	114,350,116	117,078,094
Investment properties	6,735,002			1,865,800		8,600,802				-	8,600,802	6,735,002
Community assets	47,389,414	2,088,489	8,262,116		-58,868	57,681,152	-5,184,799	-1,236,131	15,698	-6,405,232	51,275,920	42,204,615
Vehicles	11,848,134		1,424,129		-450	13,271,813	-6,515,312	-1,091,436	450	-7,606,298	5,665,515	5,332,822
Roads	339,271,676	2,442,438	4,091,967	-	-	345,806,081	-133,828,033	-21,846,094	-	-155,674,126	190,131,955	205,443,644
Earthworks & information	74,128,460		791,891			74,920,350	-31,413,552	-1,047,389		-32,460,941	42,459,409	42,714,908
Road structural layer	97,836,907	1,175,380	1,644,322			100,656,608	-61,662,563	-3,404,832		-65,067,395	35,589,213	36,174,343
Road surface	53,271,269		51,686			53,322,955	-25,864,142	-15,315,347		-41,179,488	12,143,467	27,407,127
Super structure: Bridges	2,318,511		33,206			2,351,717	-769,555	-55,942		-825,497	1,526,220	1,548,956
Footpaths	2,354,512		420,541			2,775,053	-466,034	-118,217		-584,251	2,190,802	1,888,478
Kerbs	33,223,903		44,002			33,267,906	-13,085,464	-1,662,746		-14,748,210	18,519,696	20,138,439
Road reserve: Land	69,502,363					69,502,363				-	69,502,363	69,502,363
Mini roundabout	733,430					733,430	-262,849	-24,448		-287,296	446,134	470,582
Speed humps	106,678		46,800			153,478	-24,283	-8,658		-32,940	120,538	82,396
Causeways	5,795,643	1,267,058	1,059,519			8,122,220	-279,591	-208,516		-488,107	7,634,113	5,516,052
Storm water	2,079,745		475,445			2,555,190	-460,860	-71,904		-532,764	2,022,426	1,618,885
Electrical	65,091,257	-	1,517,948	-	-	66,609,205	-23,899,598	-1,725,391	-	-25,624,989	40,984,215	41,191,659
Electrical cables	14,715,494		547,851			15,263,345	-4,685,467	-323,670		-5,009,137	10,254,208	10,030,027
Mini substations	9,865,726					9,865,726	-3,363,720	-318,502		-3,682,222	6,183,504	6,502,006
Robot equipment	256,575		43,684			300,259	-81,514	-16,650		-98,163	202,096	175,061
Streetlights	1,977,467		122,311			2,099,779	-601,030	-134,894		-735,923	1,363,855	1,376,438
Transformers	38,275,995		804,102			39,080,096	-15,167,868	-931,676		-16,099,544	22,980,552	23,108,127
Toolbox	8,200,809		1,164,251		-152,809	9,212,251	-6,266,219	-726,796	137,240	-6,855,776	2,356,475	1,934,590
Intangible assets	941,009		45,762			986,771	-918,385	-19,740		-938,125	48,646	22,624
	603,472,150	4,530,927	16,981,618	1,865,800	-1,203,627	625,646,868	-181,910,216	-28,460,904	160,321	-210,210,799	415,436,070	421,561,935

APPENDIX C

uMLALAZI MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

	(Restated) Opening Balance 30/06/2010	Cost / Revaluation Under Construction		Fair Value Adjustment	Disposals	Closing Balance 30/06/2011	(Restated) Opening Balance 30/06/2010	Accumulated Depreciation			Carrying Value 30/06/2011	(Restated) Carrying Value 30/06/2010
	R	R	Additions R					Additions R	Disposals R	Closing Balance 30/06/2011 R		
Council General	123,494,418	473,743	2,176,124	1,865,800	-1,051,318	126,958,768	-7,231,480	-1,882,000	23,310	-9,090,171	117,868,598	116,262,937
Municipal Manager	307,115		1,890			309,005	-160,156	-16,631		-176,787	132,218	146,959
Town planning and building control	486,983		178,042			665,025	-412,287	-50,651		-462,938	202,086	74,696
Housing service administration	1,154,986					1,154,985	-438,843	-37,974		-476,817	678,167	716,143
Council administration and political secretariat	2,038,017		206,395		-12,499	2,231,913	-798,847	-159,644	9,085	-949,406	1,282,506	1,239,170
Museum	182,473		1,000		-5,809	177,664	-62,233	-8,604	4,119	-66,718	110,946	120,240
Libraries	9,792,197		83,254			9,875,450	-1,248,468	-346,880		-1,595,348	8,280,102	8,543,729
Town hall	4,543,306		910,317		-9,208	5,444,415	-1,337,743	-190,763	7,295	-1,521,210	3,923,205	3,205,563
Refuse	14,301,354	1,594,129	2,694,496			18,589,979	-1,441,072	-381,839		-1,822,911	16,767,068	12,860,282
Health	195,738		126,280		-1,012	321,006	-162,941	-19,459	1,012	-181,388	139,618	32,797
Swimming pool	510,447				-92,469	417,978	-361,073	-25,270	84,209	-302,135	115,843	149,374
Clinic	1,165,962					1,165,962	-589,714	-31,307		-621,021	544,941	576,248
Parks, gardens and estates	9,771,638	20,618	2,217,584		-450	12,009,391	-998,404	-243,524	450	-1,241,478	10,767,914	8,773,234
Protection services	8,574,472		777,418		-17,078	9,334,812	-3,073,800	-672,914	17,078	-3,729,636	5,605,176	5,500,672
Engineers administration	256,251		27,716			283,967	-120,284	-27,638		-147,922	136,043	135,967
Cemeteries	1,355,797		262,220			1,618,017	-21,968	-11,333		-33,301	1,584,716	1,333,829
Airport	14,151					14,151	-4,032	-183		-4,215	9,936	10,119
Chief Financial Officer	3,708,391		206,126		-882	3,913,634	-2,131,877	-182,859	862	-2,313,875	1,599,760	1,576,514
Stores	344,686		6,999			351,685	-239,077	-11,892		-250,969	100,716	105,609
Electricity administration	66,816,648		1,548,355		-12,901	68,352,103	-25,164,270	-1,790,972	12,901	-26,942,341	41,409,762	41,652,378
Workshops	325,059		37,153			362,212	-218,941	-11,061		-230,002	132,210	106,118
Public works	354,132,062	2,442,438	5,520,247			362,094,747	-135,692,704	-22,357,503		-158,050,207	204,044,541	218,439,358
										-		-
	603,472,151	4,530,927	16,981,618	1,865,800	-1,203,627	625,646,868	-181,910,214	-28,460,904	160,321	-210,210,799	415,436,070	421,561,936

APPENDIX D

uMLALAZI MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

		2011 Actual Income	2011 Actual Expenditure	2011 (Surplus)/ Deficit	2010 Actual Income	2010 Actual Expenditure	2010 (Surplus)/ Deficit
		R	R	R	R	R	R
Council General	13	-101,542,552	67,769,917	-33,772,635	-60,245,892	36,980,299	-23,265,593
Municipal Manager	14	-30,875	3,374,106	3,343,231	-	3,323,509	3,323,509
Town Planning and Building Control	15	-	461,281	461,281	-	366,129	366,129
Housing Service Administration	16	-879,725	1,199,651	319,926	-4,251,259	4,241,111	-10,148
Council Administration and Political Secretariat	17	-77,010	3,474,696	3,397,686	-133,542	3,247,543	3,114,001
Museum	18	-73,000	510,151	437,151	-68,000	474,430	406,430
Libraries	19	-138,974	1,566,416	1,427,442	-45,220	1,265,945	1,220,725
Town Hall	20	-1,011,172	2,175,451	1,164,279	-930,182	1,937,228	1,007,046
Refuse	21	-9,300,809	11,700,799	2,399,990	-7,169,528	10,102,466	2,932,938
Health	22	-2,631,373	3,972,862	1,341,490	-2,190,329	3,515,004	1,324,675
Swimming Pool	23	-	716,959	716,959	-	890,699	890,699
Clinic	24	-3,990,436	3,675,695	-314,741	-3,192,866	3,108,629	-84,237
Parks, Gardens and Estates	25	-2,469,086	7,702,095	5,233,009	-2,063,232	5,991,111	3,927,879
Protection Services	26	-7,734,928	14,928,853	7,193,924	-6,619,433	12,227,229	5,607,796
Engineer's Administration	27	-808,269	2,020,828	1,212,559	-657,868	1,794,833	1,136,965
Cemeteries	28	-159,564	101,616	-57,948	-141,466	227,327	85,860
Airport	29	-	8,647	8,647	-	9,484	9,484
Chief Financial Officer	30	-2,193,078	6,089,107	3,896,029	-2,071,760	5,658,476	3,586,716
Roads	31	-4,397,518	8,862,393	4,464,874	-3,796,360	6,953,200	3,156,840
Stores	32	-	682,191	682,191	-	375,192	375,192
Electricity Administration	33	-39,918,329	40,383,262	464,933	-33,782,355	29,098,446	-4,683,909
Workshops	34	-	331,849	331,849	-	283,794	283,794
Total		-177,356,699	181,708,825	4,352,126	-127,359,292	132,072,084	4,712,791

APPENDIX E (1)

UMLALAZI MUNICIPALITY

ACTUAL COMPARED WITH BUDGETED REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2011

		Actual 2011	Budget 2011	Variance 2011	Variance 2011	Explanation of significant variance greater than 10% versus budget
		R	R	R	%	
REVENUE						
Property rates	1	-40,566,126	-38,281,570	-2,284,556	5.97%	
Property rates- penalties imposed	2	-978,817	-1,142,800	163,983	-14.35%	Increased payment rate of rates caused the decline in penalties.
Service charges	3	-44,515,001	-46,786,020	2,271,019	-4.85%	
Rental of facilities and equipment	4	-1,358,130	-1,285,880	-72,250	5.62%	
Interest earned- external investments	5	-634,589	-350,000	-284,589	81.31%	More investments made during the year than anticipated.
Fines	7	-3,374,512	-3,709,140	334,628	-9.02%	
Licences and permits	8	-3,140,398	-2,915,470	-224,928	7.71%	
Government grants and subsidies	9	-57,515,861	-64,255,738	6,739,877	-10.49%	Under spending of equitable share grant projects.
Other income	10	-1,309,406	-1,550,600	241,194	-15.55%	Revenue for use of refuse transfer station did not realise.
Total Revenue		-153,392,839	-160,277,218	6,884,379	-4.30%	
EXPENDITURE						
Council General	13	67,769,917	47,769,427	20,000,490	41.87%	Depreciation of assets increased due to unbundling of roads assets.
Municipal Manager	14	3,374,106	3,872,932	-498,826	-12.88%	Municipal Manager's secretary post not permanently filled.
Town Planning and Building Control	15	461,281	488,480	-27,199	-5.57%	
Housing Service Administration	16	1,199,651	2,943,290	-1,743,639	-59.24%	Housing top up funds not fully utilized.
Council Administration and Political Secretariat	17	3,474,696	3,735,030	-260,334	-6.97%	
Museum	18	510,151	557,200	-47,049	-8.44%	
Libraries	19	1,566,416	1,807,117	-240,701	-13.32%	Library grant not fully utilized.
Town Hall	20	2,175,451	2,834,435	-658,984	-23.25%	Spending on rural halls caretaking did not take place.
Refuse	21	11,700,799	11,493,180	207,619	1.81%	
Health	22	3,972,862	4,284,218	-311,356	-7.27%	
Swimming Pool	23	716,959	903,550	-186,591	-20.65%	Eshowe swimming pool did not open for public use.
Clinic	24	3,675,695	3,834,120	-158,425	-4.13%	
Parks, Gardens and Estates	25	7,702,095	7,426,920	275,175	3.71%	
Protection Services	26	14,928,853	16,654,340	-1,725,487	-10.36%	New animal pound not established.
Engineer's Administration	27	2,020,828	2,601,054	-580,226	-22.31%	Project management unit costs less than budgeted for.
Cemeteries	28	101,616	297,450	-195,834	-65.84%	Funds for repairs on crematorium not spent.
Airport	29	8,647	9,160	-513	-5.61%	
Chief Financial Officer	30	6,089,107	6,578,170	-489,063	-7.43%	
Roads	31	8,862,393	8,961,210	-98,817	-1.10%	
Stores	32	682,191	568,370	113,821	20.03%	Stock losses causing over expenditure.
Electricity Administration & Distribution	33	40,383,262	34,096,550	6,286,712	18.44%	Increased bulk electricity purchases and depreciation of assets, due to unbundling of electricity assets, caused over expenditure.
Workshops	34	331,849	346,405	-14,556	-4.20%	
Total Expenditure		181,708,825	162,062,608	19,646,217	12.12%	
(Gain)/ loss on sale of assets	12	-671,423	-200,000	-471,423	235.71%	Gain on sale of assets more than anticipated.
(Profit)/ loss on fair value adjustment	38	-1,865,800	-800,000	-1,065,800	133.23%	Market values of investment properties have increased drastically.
Depreciation recovered from reserves	37	-21,426,637	-1,200,000	-20,226,637	1685.55%	Depreciation recovered from reserves increased due to unbundling of roads and electricity assets.
NET (SURPLUS)/ DEFICIT FOR THE YEAR		4,352,126	-414,610	4,766,736		

APPENDIX E (2)

uMLALAZI MUNICIPALITY

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variances Greater than 10% versus Budget
	R	R	R	R	R	%	
Council General	4,041,924	473,743	4,515,667	4,544,568	28,901	0.64%	
Municipal Manager	1,890	-	1,890	2,455	565	23.01%	Actual cost of assets less than budgeted
Town Planning and Building Control	178,042	-	178,042	319,000	140,958	44.19%	Actual cost of assets less than budgeted
Housing Service Administration	-	-	-	-	-	-	
Council Administration and Political Secretariat	206,395	-	206,395	228,000	21,605	9.48%	
Museum	1,000	-	1,000	1,299	299	23.02%	Actual cost of asset less than budgeted
Libraries	83,254	-	83,254	94,219	10,965	11.64%	Actual cost of assets less than budgeted
Town Hall	910,317	-	910,317	1,585,536	675,219	42.59%	Nkanini Hall is completed and the cost was less than budgeted for.
Refuse	2,694,496	1,594,129	4,288,625	3,270,000	-1,018,625	-31.15%	Provision for the Rehabilitation of the Refuse Site
Health	126,280	-	126,280	147,000	20,720	14.10%	Actual cost of assets less than budgeted
Swimming Pool	-	-	-	-	-	-	
Clinic	-	-	-	-	-	-	
Parks, Gardens and Estates	2,217,584	20,618	2,238,202	2,274,660	36,458	1.60%	
Protection Services	777,418	-	777,418	888,000	110,582	12.45%	Actual cost of assets less than budgeted
Engineer's Administration	27,716	-	27,716	35,000	7,284	20.81%	Actual cost of assets less than budgeted
Cemeteries	262,220	-	262,220	300,000	37,780	12.59%	Actual cost of assets less than budgeted
Airport	-	-	-	-	-	-	
Chief Financial Officer	206,126	-	206,126	242,000	35,874	14.82%	Actual cost of assets less than budgeted
Roads	-	-	-	-	-	-	
Stores	6,999	-	6,999	8,000	1,001	12.51%	Actual cost of assets less than budgeted
Electricity Administration	1,548,355	-	1,548,355	3,392,000	1,843,645	54.35%	Electrification of Sunnysdale Low Cost Housing was less than anticipated
Workshops	37,153	-	37,153	60,000	22,847	38.08%	Actual cost of assets less than budgeted
Public Works	5,520,249	2,442,437	7,962,686	18,042,629	10,079,943	55.87%	Eshowe Bus & Taxi Rank Development is not completed and no payments made. The budgeted amount is R3100 000-00. There were other roads that are roll-over projects. Nhlanzanyoni Causeway never commenced. The budgeted amount is R801992.00.
	18,847,418	4,530,927	23,378,345	35,434,366	12,056,021	34.02%	

APPENDIX E (3)

uMLALAZI MUNICIPALITY

ACTUAL VERSUS BUDGET - BUDGET INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

Actual 2010		Actual 2011	Approved Budget 2011	Adjustments	Final Budget 2011
R		R	R		R
REVENUE					
31,005,009	Property rates	1 40,566,126	37,364,200	917,370	38,281,570
1,042,481	Property rates- penalties imposed	2 978,817	950,000	192,800	1,142,800
38,025,492	Service charges	3 44,515,001	46,518,830	267,190	46,786,020
1,447,182	Rental of facilities and equipment	4 1,358,130	1,011,300	274,580	1,285,880
392,585	Interest earned- external investments	5 634,589	600,000	-250,000	350,000
3,708,799	Fines	7 3,374,512	4,229,610	-520,470	3,709,140
2,320,212	Licences and permits	8 3,140,398	12,200	2,903,270	2,915,470
46,110,463	Government grants and subsidies	9 57,515,861	55,439,420	8,816,318	64,255,738
1,250,968	Other income	10 1,309,406	5,373,130	-3,822,530	1,550,600
125,303,191	Total Revenue	153,392,839	151,498,690	8,778,528	160,277,218
EXPENDITURE					
44,284,743	Employee related costs	13 49,866,542	51,818,290	1,631,170	53,449,460
10,564,678	Remuneration of councillors	14 10,953,567	11,490,610	-407,160	11,083,450
179,140	Bad debts	15 1,225,733	537,380	-	537,380
7,264,753	Depreciation	17 28,460,904	5,262,630	2,013,710	7,276,340
5,096,839	Repairs and maintenance	18 5,505,350	5,215,230	480,670	5,695,900
148,823	Finance costs	19 643,051	36,050	480,510	516,560
17,812,169	Bulk purchases	20 25,780,432	24,371,560	-3,670,290	20,701,270
11,175,313	Contracted services	21 13,092,479	13,920,530	-529,485	13,391,045
754,994	Post retirement medical benefits and long service awards	22 2,906,799	1,011,330	10	1,011,340
33,844,252	General expenses	23 41,860,011	39,756,330	8,336,363	48,092,693
962,649	Contributions to staff leave	25 1,430,229	335,440	-	335,440
-16,270	Less Recharges	36 -16,270	-12,000	-16,270	-28,270
132,072,083	Total Expenditure	181,708,825	153,743,380	8,319,228	162,062,608
44,867	Gain/ (loss) on sale of assets	671,423	200,000	-	200,000
804,202	Profit/ (loss) on fair value adjustment	1,865,800	-	800,000	800,000
1,207,032	Depreciation recovered from reserves	21,426,637	2,256,800	-1,056,800	1,200,000
-4,712,791	SURPLUS (DEFICIT) FOR THE YEAR	-4,352,126	212,110	202,500	414,610

APPENDIX F

uMLALAZI MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2011

Grants and Subsidies Received

Name of organ of state and description of grants	Number of grant	Quarterly receipts				Quarterly expenditure				Grants and Subsidies delayed/withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		July to Sept 2010	Oct to Dec 2010	Jan to Mar 2011	April to June 2011	July to Sept 2010	Oct to Dec 2010	Jan to Mar 2011	April to June 2011				
		2	3	4	5	2	3	4	5				
DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS Establishment of pound				1,000,000					50,000	NO	N/A	YES	N/A
NATIONAL TREASURY Municipal Systems Improvement Grant	15	750,000			21,194	17,000	125,025	116,168	491,808	NO	N/A	YES	N/A
Municipal Infrastructure Grant	35	6,815,000	1,389,000	1,577,000	223,085	3,108,653	2,919,102	3,214,160	2,833,423	NO	N/A	YES	N/A
Financial Management Grant	44	1,200,000			24,792	314,649	298,390	202,855	359,984	NO	N/A	YES	N/A
DEPT OF HUMAM SETTLTEMENTS Sunnydale Low Cost	51							4,657,690		NO	N/A	YES	N/A
		8,765,000	1,389,000	2,577,000	269,071	3,440,302	3,342,517	8,190,873	3,735,215				
DEPARTMENT OF ARTS & CULTURAL KING DINUZULU LIBRARY: CYBER CADET	50	12,000		168,900		19,922	22,922	30,563	46,582	NO	N/A	YES	N/A
OTHER Heritage Sites: Route 66 Ngonyama Trust						120,824 8,029	75,000	29,720	55,746 14,055	NO NO	N/A N/A	YES YES	N/A N/A
		12,000	-	168,900	-	148,775	97,922	60,283	116,383				
TOTAL OF ALL GRANTS		8,777,000	1,389,000	2,745,900	269,071	3,589,077	3,440,439	8,251,156	3,851,598				